



City of NORFOLK

To the Honorable Council
City of Norfolk, Virginia

October 23, 2012

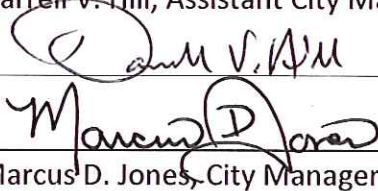
From: Shenette C. Felton, Acting Director
Department of Finance

Subject: Statement of Legal Debt
Margin for end of Fiscal Year 2012

Reviewed: Darrell V. Hill, Assistant City Manager

Ward/Superward: N/A

Approved:


Marcus D. Jones, City Manager

Item Number:

C-1

I. **Recommendation:** Receive and file

II. **Applicant:** City of Norfolk

III. **Description**

This agenda item transmits for your review and information the Statement of Legal Debt Margin and the Statement of Bonds Authorized and Unissued as of June 30, 2012.

The Virginia Constitution, Article VII, Section 10, the Virginia Code Section 15.2-2634, and the Norfolk City Charter Section 86(7), stipulate that the City may not, without referendum, incur general obligation indebtedness in excess of ten percent (10%) of the assessed valuation of the taxable real estate in the City. The attached computation of Legal Debt Margin measures the City's existing long-term general obligations as a percentage of the assessed taxable real property value.

The attached Statement of Bonds Authorized and Unissued identifies existing balances of bonds authorized by City Council that have not been issued.

IV. **Analysis**

The Legal Debt Margin computation does not include existing principal from capital lease obligations that funded the purchase of equipment or any revenue-based debt issued for the City's enterprises. As a policy, the City issues revenue supported debt when possible to preserve and protect the City's capacity to issue general obligation debt within the limitations of the Constitution of Virginia. Revenue bonds are not subject to the Commonwealth's Constitutional Debt Limit.

The attached statements of Legal Debt Margin and Bonds Authorized and Unissued do not equate to any measurement of affordability. It is only a measurement of existing legal authorization to issue additional general obligation debt.

V. Financial Impact

The City's Legal Debt Margin as of June 30, 2012, is 4.70% of assessed taxable real property value (46.96% of legal capacity).

VI. Environmental

N/A

VII. Community Outreach/Notification

Public notification for this agenda item was conducted through the City of Norfolk's agenda notification process.

VIII. Board/Commission Action

N/A

IX. Coordination/Outreach

This letter has been coordinated with the Department of Finance and the City Attorney's Office.

Supporting Material from the Department of Finance:

Statement of Legal Debt Margin as of June 30, 2012

Statement of Bonds Authorized and Unissued as of June 30, 2012

City of Norfolk, Virginia
Statement of Legal Debt Margin
June 30, 2012

Total Assessed Value of Taxed Real Property		<u>\$ 18,676,730,533</u>
Debt Limit - 10 percent of Total Assessed Value		<u>\$ 1,867,673,053</u>
Amount of Debt Applicable to Debt Limit:		
Gross Debt (Notes 1, 2 and 4)	\$ 791,340,478	
General Obligation (QRBs)	8,335,000	
General Obligation (QZABs)	804,953	
General Obligation (guaranty) (Note 3)	1,275,000	
General Obligation Bond Anticipation Notes	75,305,000	
Bank of the Commonwealth Note (Note 5)	<u>-</u>	
		<u>\$ 877,060,431</u>
Legal Debt Margin (Notes 6 and 7)		<u>\$ 990,612,622</u>
Amount of Debt as a percent of Debt Limit		<u>46.96%</u>

Notes:

1. Defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
2. Water, Parking and Wastewater revenue bonds are excluded from gross debt. The revenue bonds are secured solely from revenue of the Water Utility Fund, the Parking Facilities Fund and the Wastewater Utility Fund.
3. Includes the remaining balance of \$1,275,000 on a General Obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998. The bonds mature on August 15, 2015.
4. The 20-year \$13,000,000 Section 108 Loan with HUD was fully refunded as part of the Series 2012A General Obligation Bonds and is now included in Gross Debt.
5. The \$1,812,393 Note with the Bank of the Commonwealth for the purchase of property in December 2009 was paid in full March 12, 2012.
6. Outstanding capital lease obligations for the purchase of equipment are not included for the purpose of the legal debt margin calculations.
7. The amount of general obligation bonds authorized by ordinance but not issued for Capital Improvement Projects is \$150,317,843.

City of Norfolk, Virginia
Statement of Bonds Authorized and Unissued
as of 6/30/2012

FUND	Balance as of 3/31/2012	New Authorizations April - June 2012	New Issuance April - June 2012	Balance as of 6/30/2012
<u>GENERAL OBLIGATION BONDS:</u>				
Capital Fund Projects:				
General Capital Improvement Projects	\$ 244,555,939	\$ -	\$ (105,239,928)	\$ 139,316,011
Maritime Center Capital Improvement Projects	425,000	-	-	425,000
Towing and Recovery Capital Improvement Projects	3,091,084	-	-	3,091,084
Storm Water Capital Improvement Projects	6,959,576	-	(6,959,576)	(0)
CAPITAL FUND PROJECTS TOTAL	\$ 255,031,599	\$ -	\$ (112,199,504)	\$ 142,832,095
Parking Facilities Fund Projects	-	-	-	-
Wastewater Utility Fund Projects	32,485,748	-	(25,000,000)	7,485,748
G.O. BONDS AUTHORIZED AND UNISSUED	\$ 287,517,347	\$ -	\$ (137,199,504)	\$ 150,317,843
<u>REVENUE BONDS:</u>				
Water Utility Fund Projects	\$ 75,520,626	\$ -	\$ -	\$ 75,520,626
Parking Facilities Fund Projects	72,422,529	-	-	72,422,529
REVENUE BONDS AUTHORIZED AND UNISSUED	\$ 147,943,155	\$ -	\$ -	\$ 147,943,155